

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Bridgman	County Berrien
Audit Date June 30, 2005	Opinion Date September 15, 2005	Date Accountant Report Submitted to State: November 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

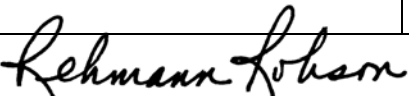
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			



CITY OF BRIDGMAN, MICHIGAN

Comprehensive Annual Financial Report

**For The Fiscal Year Ended
June 30, 2005**

Prepared by:

Treasurer's Department

CITY OF BRIDGMAN, MICHIGAN
For the Fiscal Year Ended June 30, 2005

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For the Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION



9765 Maple Street / P.O. Box 366 / Bridgman, MI 49106 / 269•465•5144 / fax 269•465•3701

September 15, 2005

To the Honorable Mayor, Members of the City Commission and Citizens of the City of Bridgman:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rehman Robson, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Bridgman's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Bridgman is located in Berrien County in the Southwestern corner of Michigan. The City is 16 miles north of Indiana and includes over a mile of frontage on Lake Michigan. Land area is approximately 2.9 square miles with a population of 2,428 based on the 2000 census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

Bridgman was fully incorporated as a home rule city in 1949 with the passage of its charter and employs the commission-manager form of government. Policy-making and legislative authority are vested in a governing Commission consisting of the mayor and six other members, all elected on a non-partisan basis. Commission members serve four-year staggered terms, with three Commission members elected one year and four in two years. The mayor is elected to a four-year term within the commission. The Commission members are elected at-large.

The City of Bridgman provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; water treatment and distribution; garbage removal, economic development; recreational and cultural activities.

The Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Bridgman's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Commission.

Local economy

The City of Bridgman has a stable economic base consisting of a mix of industrial/commercial, residential and tourism-based enterprises. Land use in City indicates that the primary mix is 50% residential, 30% industrial/commercial with the remaining 20% in recreational, government and vacant land.

The City's water system has capacity that exceeds the average daily usage. The water plant has a maximum daily capacity of 1.4 million gallons and an average daily consumption of 320,000 gallons. In fiscal 2004, the City recorded a bond issuance that allowed for the expansion of the Galien River Sanitary District. This wastewater system has a maximum daily capacity of 500,000 with an average daily treatment of 295,000 gallons.

Bridgman has shown regular growth since 1960 with a net population change of 67% over the 40 years (based on the 2000 census data). From 1990 to 2000, the City grew 13.5% and was the only city in Berrien County that grew during that decade.

The City maintains a proactive approach for the present and future by instituting capital improvements in streets and park facilities. During fiscal year 2005 the City completed a re-roofing project of the Beach House at Weko Beach and resurfaced Lake Street west of Red Arrow Highway.

Long-term financial planning

Manufacturing facilities are encouraged to locate in the City through the approval of Industrial Facilities Tax Abatements and other measures. However, similar to other local units of government around the County, The City of Bridgman is experiencing decreases in state revenue sharing. The General Fund's fiscal 2005 ending fund balance amounts to approximately 91% of the fund's annual expenditures. This percentage of fund balance is expected to be maintained in the future through prudent management of its financial resources.

Cash management policies and practices

The City is conservative in its approach to cash management. In general, cash is deposited upon receipt into interest-bearing cash-management accounts. Due to the federal limits placed on the number of withdrawals executed on interest-bearing accounts within a given month, there are funds that cannot utilize them. Protecting taxpayers against potential deficits is emphasized in the City's investment strategy.

Risk management

Under a comprehensive plan of risk management, the City maintains property, liability and workers' compensation insurance coverage through the Michigan Municipal League insurance pool.

Pension benefits

In 1996, the City began providing pension benefits to all of its full-time employees through a defined contribution plan. Additional information on the City's retirement system can be found in Note IV.C. in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CITY OF BRIDGMAN for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

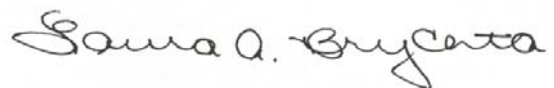
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the CITY OF BRIDGMAN'S finances.

Respectfully submitted,



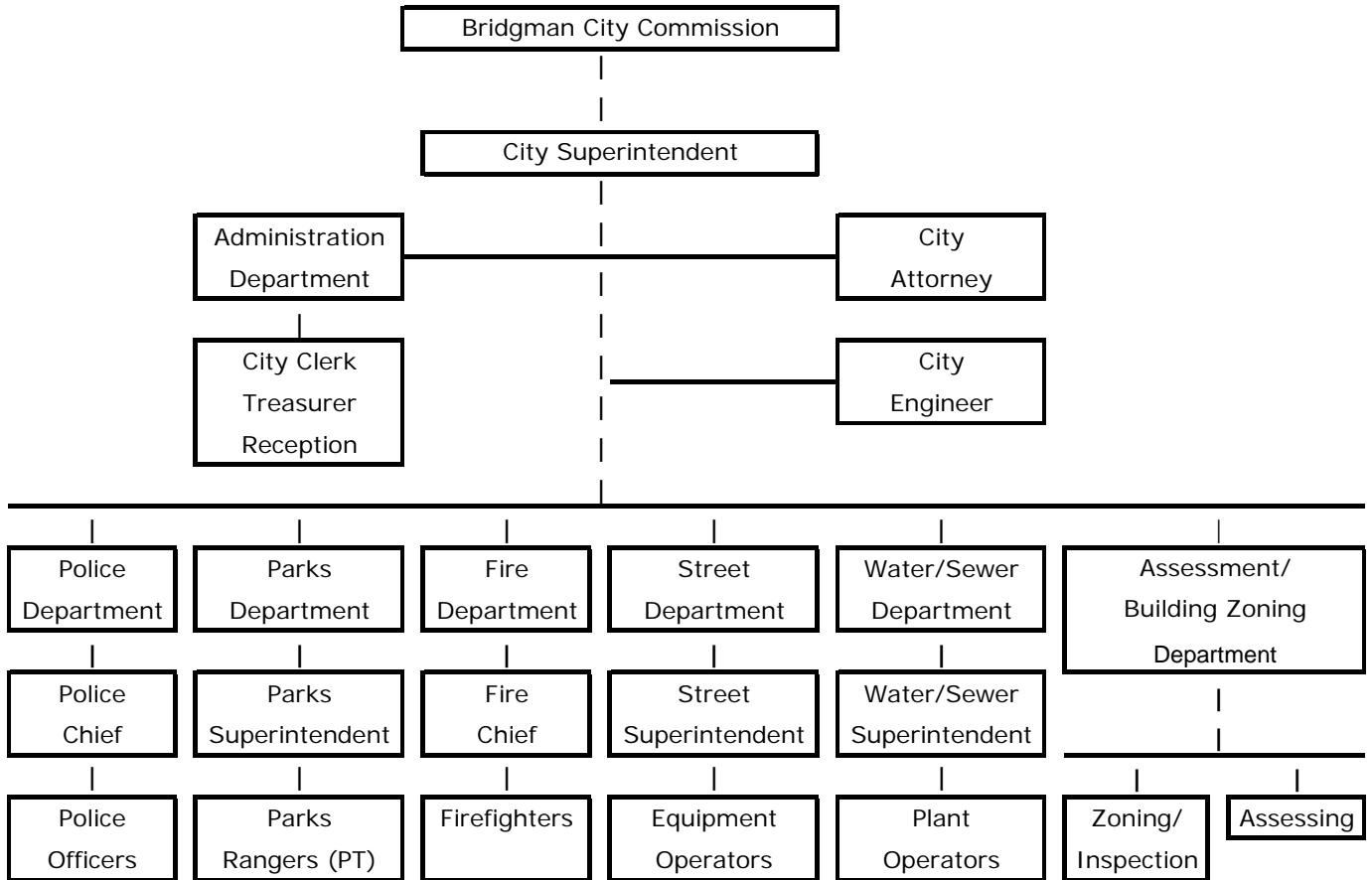
Aaron L. Anthony
City Superintendent



Laura A. Brychta
Treasurer

CITY OF BRIDGMAN, MICHIGAN

Organizational Chart



CITY OF BRIDGMAN, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2005

Elected Officials

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member
Council Member
Council Member

Ron Birmingham
William H. Boyd
Kathy Ramso
Jim A. Catania
Dorothea Crocker
Linda Gedeon-Kuhn
Robert Liskey

Appointed Officials

City Superintendent
Assessor
Clerk
Utility Services & Parks Superintendent
Public Works Superintendent
Police Chief
Fire Chief
Treasurer
Building Inspector

Aaron L. Anthony
Patricia A. DePriest
Elaine E. Thomas
Tim M. Kading
Richard H. Knuth
Ted Post
Elwood Munson
Laura A. Brychta
William H. Boyd, Jr.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bridgman,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



Independent Auditors' Report

September 15, 2005

The Honorable Mayor and
Members of the City Council
City of Bridgman
Bridgman, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Bridgman, Michigan**, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Bridgman, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the *City of Bridgman, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,216,468 (net assets), a decrease of \$418,836 from the prior year. Of this amount, \$1,504,091 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,653,626, an increase of \$30,387 over fiscal 2004. Approximately 96% of this total amount, or \$1,593,215 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the City's proprietary funds reported combined total net assets of \$3,315,030, a decrease of \$255,954 from fiscal 2004. Unrestricted net assets represented a deficit of \$(232,494), with \$3,547,524 invested in capital assets, net of related debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and highways and streets. The business-type activities of the City include water and sewer operations as well as parks and recreation.

The government-wide financial statements include not only the City itself (known as the primary government), but also two component units. The Brownfield Development Authority is a legally separate authority for which the City is financially accountable. The Authority had no assets as of June 30, 2005 and no activities for the year then ended. The City of Bridgman Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general and public improvement funds. Non-major governmental funds, which include major streets, local streets, general debt service and building authority funds, are reported in a combined format on these statements.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as parks and recreation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, as well as parks and recreation, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City only accounts for one type of fiduciary fund, which is an *agency* fund. This fund is used to account for tax collections by the City of Bridgman on behalf of other governments. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The City's Agency Fund had no assets or liabilities at year end, and accordingly, no fiduciary financial statements are presented in the basic financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Bridgman, assets exceeded liabilities by \$11,216,468 at the close of fiscal 2005.

City of Bridgman's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,181,926	\$ 2,407,135	\$ 3,259,032	\$ 3,549,495	\$ 5,634,851	\$ 5,956,630
Capital assets, net	6,551,816	6,230,935	3,862,524	3,953,889	10,220,447	10,184,824
Total assets	8,733,742	8,638,070	7,121,556	7,503,384	15,855,298	16,141,454
Long-term liabilities outstanding	832,801	570,193	3,655,710	3,750,080	4,488,511	4,320,273
Other liabilities	59,592	64,339	90,727	121,538	150,319	185,877
Total liabilities	892,393	634,532	3,746,437	3,871,618	4,638,830	4,506,150
Net assets:						
Invested in capital assets, net of related debt	5,742,587	5,694,849	3,547,524	3,543,889	9,277,776	9,238,738
Restricted	434,601	459,601	-	-	434,601	459,601
Unrestricted	1,664,161	1,849,088	(172,405)	87,877	1,504,091	1,936,965
Total net assets	\$ 7,841,349	\$ 8,003,538	\$ 3,375,119	\$ 3,631,766	\$ 11,216,468	\$ 11,635,304

By far the largest portion of the City's net assets (82.7 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (13.4 percent or \$1,504,091) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets decreased by \$418,836 during the current fiscal year. There are two primary reasons for this decrease. First, on the side of Governmental Activities, a section of Lake Street west of Red Arrow Highway was resurfaced at a cost of over \$338,000. On the side of Business-type Activities, the primary reason for this decrease is the expenses relative to the City's buy-in to the Galien River Sanitary District (GRSD) Sewer Authority using a general obligation bond issuance that will be used to finance the improvements to the expansion of the wastewater treatment plant.

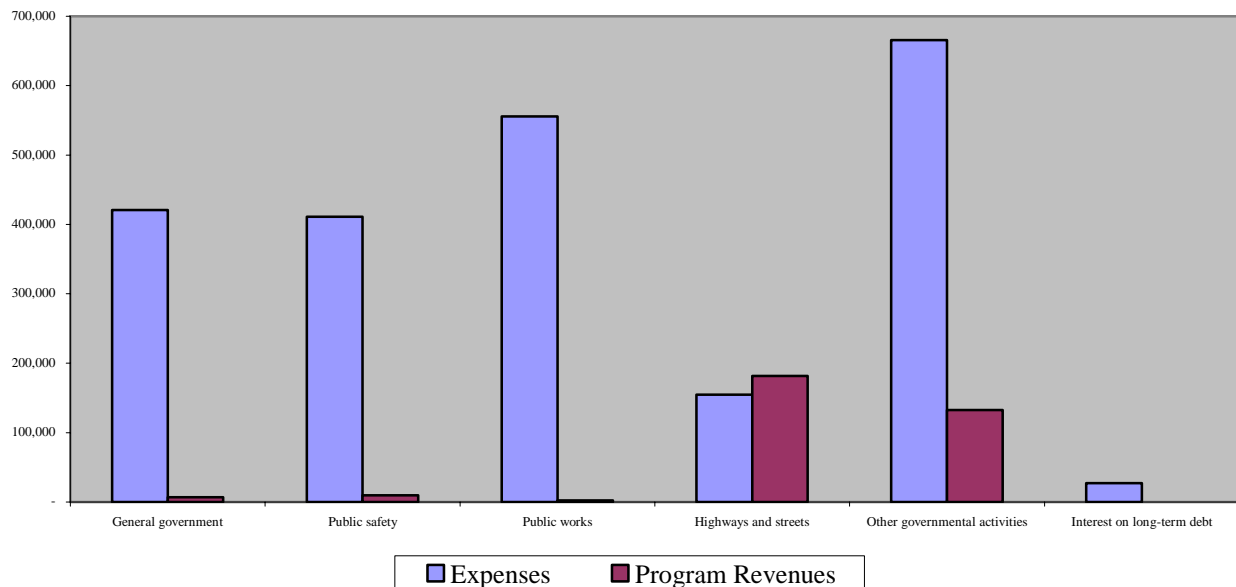
In an effort to offset the impact of the 2004 bond issuance, sewer rates, including both the in-readiness-to-serve charge and the commodity price, were increased 14% the previous two fiscal years and again in fiscal 2005. These rates are scheduled to be increased again by the same amount in fiscal 2006 and fiscal 2007.

City of Bridgman's Changes in Net Assets

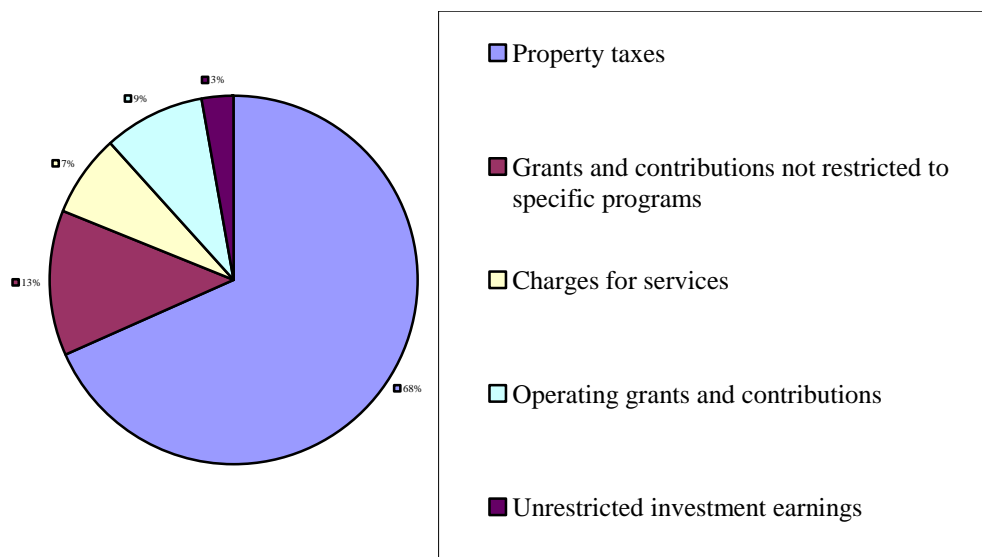
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenue:						
Charges for services	\$ 149,160	\$ 138,437	\$ 965,106	\$ 939,282	\$ 1,114,266	\$ 1,077,719
Operating grants and contribution	184,052	188,950	-	-	184,052	188,950
Capital grants and contributions	-	(1,525)	14,568	-	14,568	(1,525)
General revenue:						
Property taxes	1,414,401	1,415,100	-	-	1,414,401	1,415,100
Grants and contributions not restricted to specific programs	264,868	332,077	3,958	3,569	268,826	335,646
Other	60,205	21,104	3,620	2,637	63,825	23,741
Total revenue	2,072,686	2,094,143	987,252	945,488	3,059,938	3,039,631
Expenses:						
General government	420,647	449,860	-	-	420,647	449,860
Public safety	411,019	434,042	-	-	411,019	434,042
Public works	555,602	240,407	-	-	555,602	240,407
Highways and streets	154,813	159,845	-	-	154,813	159,845
Other governmental activities	665,505	634,547	-	-	665,505	634,547
Interest on long-term debt	27,289	31,471	-	-	27,289	31,471
Parks	-	-	255,393	233,410	255,393	233,410
Sewer	-	-	595,219	1,882,112	595,219	1,882,112
Water	-	-	393,287	458,093	393,287	458,093
Total expenses	2,234,875	1,950,172	1,243,899	2,573,615	3,478,774	4,523,787
Increase in net assets before transfers	(162,189)	143,971	(256,647)	(1,628,127)	(418,836)	(1,484,156)
Transfers	-	(207,000)	-	207,000	-	-
Increase in net assets	(162,189)	(63,029)	(256,647)	(1,421,127)	(418,836)	(1,484,156)
Net assets, beginning of year	8,003,538	8,066,567	3,631,766	5,052,893	11,635,304	13,119,460
Net assets, end of year	\$ 7,841,349	\$ 8,003,538	\$ 3,375,119	\$ 3,631,766	\$ 11,216,468	\$ 11,635,304

Governmental activities. Governmental activities decreased the City's net assets by \$162,189. The primary reason for this decrease is the resurfacing of the section of Lake Street that lies west of Red Arrow Highway.

Expenses and Program Revenues - Governmental Activities

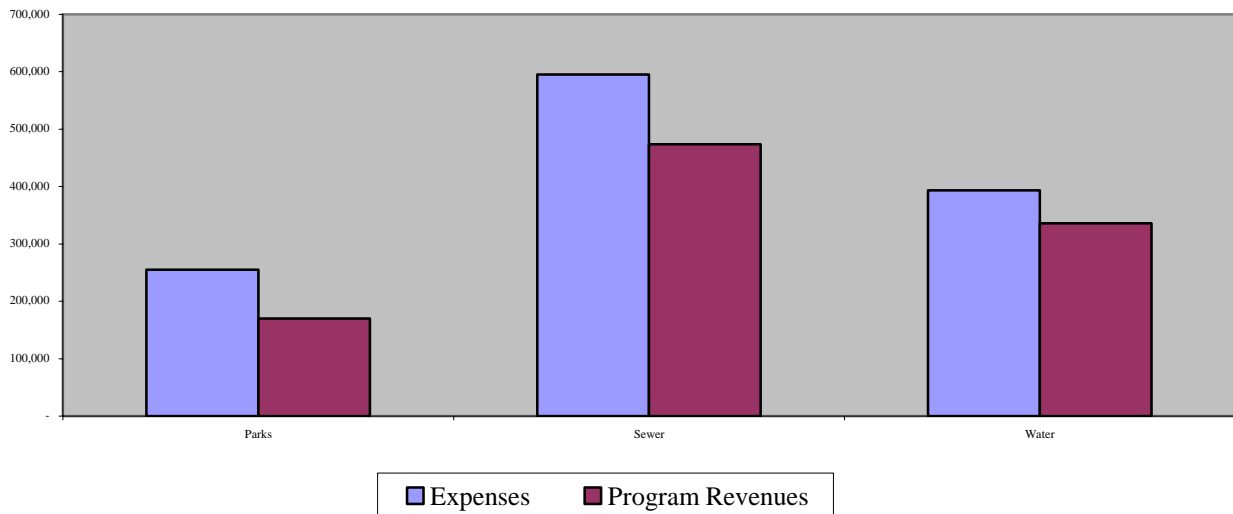


Revenue by Source – Governmental Activities



Business-type activities. Business-type activities decreased the City's net assets by \$256,647. This significant decrease was almost entirely due to the sewer fund's bond issuance, as discussed above.

Revenue and Expenses – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,653,626, an increase of \$30,387 in comparison with the prior year. Approximately 96 percent of this total amount, or \$1,593,215, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$60,411 is reserved to indicate that it is not available for new spending because it has already been committed to pay for other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,178,455, while total fund balance was \$1,238,866. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 71% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$75,228 during the current fiscal year. This increase is due in large part to the cost savings experienced by our public safety departments, particularly the Police Department. In January of 2005, approximately half way through fiscal 2005, two of our permanent, full-time police officers were transferred to active duty through the National Guard and sent to Iraq.

The public improvement fund has a total fund balance of \$60,592. Transfers in notwithstanding, this fund experienced a significant decrease over fiscal 2004 amounting to \$342,571. As mentioned previously, this is due to the resurfacing of Lake Street.

The non-major governmental funds, which include major streets, local streets, debt service and building authority funds, have a total fund balance of \$354,168. Transfers in notwithstanding, this group of funds experienced a decrease totaling \$7,270.

Proprietary funds. Unrestricted net assets of the parks, sewer and water enterprise funds at the end of the year amounted to \$74,101, (\$712,632) and \$406,037, respectively.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its government and business-type activities as of June 30, 2005, amounted to \$10,414,340 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways. The City's outlay in capital assets for the current fiscal year amounted to \$907,588.

Capital asset events during the current fiscal year included the following:

- The purchase of an aerial ladder fire truck for \$743,935
- The completion of a re-roofing project on the Beach House at Weko Beach for \$87,430, which began in fiscal 2004
- The replacement of a police car for \$21,988
- The replacement of the water superintendent's truck for \$17,562
- The purchase of a Vermeer brush chipper for \$19,714
- The purchase of a Kubota four wheeler for \$10,551

City of Bridgman's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 134,600	\$ 134,600	\$ 59,293	\$ 59,293	\$ 193,893	\$ 193,893
Buildings and systems	781,399	818,912	3,800,482	3,886,728	4,581,881	4,705,640
Vehicles and equipment	1,221,592	609,664	2,749	7,868	1,224,341	617,532
Infrastructure	4,414,225	4,667,759	-	-	4,414,225	4,667,759
Total	\$ 6,551,816	\$ 6,230,935	\$ 3,862,524	\$ 3,953,889	\$ 10,414,340	\$ 10,184,824

Additional information on the City's capital assets can be found in note III.C. on pages 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$3,987,236. Of this amount, \$3,659,990 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

City of Bridgman's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 335,000	\$ 485,000	\$3,324,990	\$3,324,990	\$3,659,990	\$3,809,990
Special assessment bonds	-	25,000	-	-	-	25,000
Revenue bonds	-	-	315,000	410,000	315,000	410,000
Installment purchase contracts	474,229	26,086	-	-	474,229	26,086
Total	\$ 809,229	\$ 536,086	\$3,639,990	\$3,734,990	\$4,449,219	\$4,271,076

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total taxable value. The current debt limitation for the City is \$9,927,358, which is significantly in excess of the City's outstanding general obligation debt of \$3,659,990.

Additional information on the City's long-term debt can be found in note III.F on pages 41-43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and/or underway;
- Growth and development trends as a result of the 2000 Census;
- Projected staff and capital improvements projects by the City;
- Available taxing, bonding and grant resources.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 9765 Maple Street, P.O. Box 366, Bridgman, MI 49106.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BRIDGMAN, MICHIGAN

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,045,426	\$ 310,245	\$ 2,355,671
Receivables	203,907	143,722	347,629
Internal balances	(127,818)	127,818	-
Prepaid items and other assets	60,411	163,978	224,389
Investment in Galien River Sanitary District	-	2,513,269	2,513,269
Capital assets not being depreciated	134,600	59,293	193,893
Capital assets being depreciated, net	6,417,216	3,803,231	10,220,447
Total assets	8,733,742	7,121,556	15,855,298
Liabilities			
Accounts payable and accrued liabilities	59,592	90,727	150,319
Long-term debt:			
Due within one year	262,508	104,890	367,398
Due in more than one year	570,293	3,550,820	4,121,113
Total liabilities	892,393	3,746,437	4,638,830
Net assets			
Invested in capital assets, net of related debt	5,742,587	3,547,524	9,290,111
Restricted for:			
Debt service	282,122	-	282,122
Other purposes	152,479	-	152,479
Unrestricted	1,664,161	(172,405)	1,491,756
Total net assets	\$ 7,841,349	\$ 3,375,119	\$ 11,216,468

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 420,647	\$ 6,742	\$ -	\$ -
Public safety	411,019	9,818	-	-
Public works	555,602	-	2,451	-
Highways and streets	154,813	-	181,601	-
Other governmental activities	665,505	132,600	-	-
Interest on long-term debt	27,289	-	-	-
Total governmental activities	<u>2,234,875</u>	<u>149,160</u>	<u>184,052</u>	<u>-</u>
Business-type activities:				
Parks	255,393	170,059	-	-
Sewer	595,219	473,588	-	-
Water	393,287	321,459	-	14,568
Total business-type activities	<u>1,243,899</u>	<u>965,106</u>	<u>-</u>	<u>14,568</u>
Total	<u>\$ 3,478,774</u>	<u>\$ 1,114,266</u>	<u>\$ 184,052</u>	<u>\$ 14,568</u>

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities (Concluded)

For the Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net expense	<u>\$ (1,901,663)</u>	<u>\$ (264,225)</u>	<u>\$ (2,165,888)</u>
General revenues:			
Property taxes	1,414,401	-	1,414,401
Grants and contributions not restricted to specific programs	264,868	3,958	268,826
Unrestricted investment earnings	<u>60,205</u>	<u>3,620</u>	<u>63,825</u>
Total general revenues	<u>1,739,474</u>	<u>7,578</u>	<u>1,747,052</u>
Change in net assets	(162,189)	(256,647)	(418,836)
Net assets, beginning of year	<u>8,003,538</u>	<u>3,631,766</u>	<u>11,635,304</u>
Net assets, end of year	<u><u>\$ 7,841,349</u></u>	<u><u>\$ 3,375,119</u></u>	<u><u>\$ 11,216,468</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF BRIDGMAN, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2005

	General	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,591,291	\$ 3,559	\$ 491,191	\$ 2,086,041
Special assessments receivable	12,341	68,092	-	80,433
Due from other governments	81,484	-	41,990	123,474
Due from other funds	2,138,507	234,113	826,043	3,198,663
Prepaid items	60,411	-	-	60,411
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	\$ 3,884,034	\$ 305,764	\$ 1,359,224	\$ 5,549,022
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 21,714	\$ 330	\$ 179	\$ 22,223
Accrued liabilities	29,015	-	1,202	30,217
Due to other funds	2,582,098	176,750	1,003,675	3,762,523
Deferred revenue	12,341	68,092	-	80,433
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,645,168	245,172	1,005,056	3,895,396
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Reserved for prepaid items	60,411	-	-	60,411
Unreserved:				
Undesignated	1,178,455	60,592	-	1,239,047
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	152,479	152,479
Debt service funds	-	-	201,689	201,689
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1,238,866	60,592	354,168	1,653,626
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 3,884,034	\$ 305,764	\$ 1,359,224	\$ 5,549,022
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund balances - total governmental funds	\$ 1,653,626
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	134,600
Add: capital assets being depreciated	14,324,927
Deduct: accumulated depreciation	(9,111,201)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessments	80,433
-----------------------------------	--------

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	1,119,541
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(335,000)
Deduct: accrued interest on bonds payable	(2,005)
Deduct: compensated absences	(23,572)

Net assets of governmental activities	<u>\$ 7,841,349</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,414,401	\$ -	\$ -	\$ 1,414,401
Special assessments	10,791	14,140	17,696	42,627
Intergovernmental	231,686	-	181,601	413,287
Charges for services	7,149	-	-	7,149
Investment earnings	40,113	5,189	11,306	56,608
Licenses and permits	32,997	-	-	32,997
Fines and forfeitures	9,411	-	-	9,411
Rent	-	-	132,600	132,600
Other	185	2,451	-	2,636
Total revenues	1,746,733	21,780	343,203	2,111,716
Expenditures				
Current:				
General government	353,429	-	-	353,429
Public safety	412,074	-	-	412,074
Public works	189,031	-	-	189,031
Highways and streets	-	-	154,813	154,813
Other	411,971	364,351	-	776,322
Debt service:				
Principal	-	-	175,000	175,000
Interest and fiscal charges	-	-	20,660	20,660
Total expenditures	1,366,505	364,351	350,473	2,081,329
Revenues over (under) expenditures	380,228	(342,571)	(7,270)	30,387
Other financing sources (uses)				
Transfers in	-	300,000	5,000	305,000
Transfers out	(305,000)	-	-	(305,000)
Total other financing sources (uses)	(305,000)	300,000	5,000	-
Net change in fund balances	75,228	(42,571)	(2,270)	30,387
Fund balances, beginning of year	1,163,638	103,163	356,438	1,623,239
Fund balances, end of year	\$ 1,238,866	\$ 60,592	\$ 354,168	\$ 1,653,626

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 30,387
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Deduct: depreciation expense	(294,062)
Governmental funds record revenue from special assessments as they are collected. However, in the statement of activities, special assessments are recognized as revenue in the year levied.	
Deduct: current year collections on deferred special assessments	(42,627)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payments on long-term liabilities	175,000
An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Add: interest revenue from governmental internal service fund	3,597
Deduct: interest expense from governmental internal service fund	(9,182)
Add: net operating loss from governmental activities in the internal service fund	(3,405)
Add: loss on disposal of capital assets	(34,985)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add: decrease in accrued interest payable on bonds	2,553
Add: decrease in the accrual for compensated absences	10,535
Change in net assets of governmental activities	<u><u>\$ (162,189)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ 1,338,600	\$ 1,338,600	\$ 1,414,401	\$ 75,801
Intergovernmental	196,200	223,100	231,686	8,586
Charges for services	3,500	3,500	7,149	3,649
Investment earnings	7,200	8,000	40,113	32,113
Licenses and permits	36,600	36,600	32,997	(3,603)
Fines and forfeitures	7,300	7,300	9,411	2,111
Other	300	300	185	(115)
Total revenues	1,589,700	1,617,400	1,746,733	129,333
Expenditures				
General government:				
City Commission	22,000	26,400	37,114	10,714
Superintendent	176,300	93,300	104,860	11,560
Elections	3,600	4,800	5,376	576
Assessor	17,000	22,600	15,720	(6,880)
General office	92,800	111,800	94,765	(17,035)
Building and grounds	52,500	59,200	55,343	(3,857)
Planning commission	5,900	54,200	29,406	(24,794)
Zoning administrator	8,200	10,000	10,845	845
Total general government	378,300	382,300	353,429	(28,871)
Public safety:				
Police	239,500	313,100	258,953	(54,147)
Fire	66,400	144,400	134,480	(9,920)
Building inspector	23,800	23,200	18,641	(4,559)
Total public safety	329,700	480,700	412,074	(68,626)
Public works	96,400	192,300	189,031	(3,269)
Other - general administration	174,800	378,100	411,971	33,871
Total expenditures	979,200	1,433,400	1,366,505	(66,895)
Revenues over expenditures	610,500	184,000	380,228	196,228

continued...

CITY OF BRIDGMAN, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other financing sources (uses)				
Transfers out	\$ -	\$ (521,000)	\$ (305,000)	\$ (216,000)
Net change in fund balance	610,500	(337,000)	75,228	412,228
Fund balance, beginning of year	<u>1,163,638</u>	<u>1,163,638</u>	<u>1,163,638</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,774,138</u>	<u>\$ 826,638</u>	<u>\$ 1,238,866</u>	<u>\$ 412,228</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Public Improvement
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 2,200	\$ 4,200	\$ 14,140	\$ 9,940
Investment earnings	(200)	100	5,189	5,089
Total revenues	4,300	4,300	21,780	17,480
Expenditures				
Other - public improvement	63,600	239,000	364,351	125,351
Revenues over (under) expenditures	(59,300)	(234,700)	(342,571)	(107,871)
Other financing sources				
Transfers in	-	150,000	300,000	150,000
Net change in fund balance	(59,300)	(84,700)	(42,571)	42,129
Fund balance, beginning of year	103,163	103,163	103,163	-
Fund balance, end of year	\$ 43,863	\$ 18,463	\$ 60,592	\$ 42,129

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Vehicle and Equipment Internal Service Fund
Assets					
Current assets:					
Cash and cash equivalents	\$ 163,134	\$ 36,407	\$ 110,704	\$ 310,245	\$ (40,615)
Accounts receivable - customers	-	80,500	50,111	130,611	-
Special assessments receivable	-	-	13,111	13,111	-
Due from other funds	567,245	259,666	470,828	1,297,739	1,381,963
Inventories	-	-	10,111	10,111	-
Total current assets	730,379	376,573	654,865	1,761,817	1,341,348
Noncurrent assets:					
Capital assets not being depreciated	19,610	18,430	21,253	59,293	-
Capital assets being depreciated, net	705,666	1,163,171	1,934,394	3,803,231	1,203,490
Investment in Galien River Sanitary District	-	2,513,269	-	2,513,269	-
Other assets - unamortized discount	-	125,231	28,636	153,867	-
Total noncurrent assets	725,276	3,820,101	1,984,283	6,529,660	1,203,490
Total assets	1,455,655	4,196,674	2,639,148	8,291,477	2,544,838
Liabilities					
Current liabilities:					
Accounts payable	10,842	28,340	5,307	44,489	3,737
Accrued liabilities	7,779	25,154	9,120	42,053	1,410
Due to other funds	630,461	347,141	252,408	1,230,010	885,832
Deposits payable	25	2,080	2,080	4,185	-
Compensated absences, current portion	600	-	4,290	4,890	-
Bonds and notes payable, current portion	-	-	100,000	100,000	90,173
Total current liabilities	649,707	402,715	373,205	1,425,627	981,152
Noncurrent liabilities:					
Compensated absences, net of current portion	6,571	-	4,259	10,830	-
Bonds and notes payable, net of current portion	-	3,324,990	215,000	3,539,990	384,056
Total noncurrent liabilities	6,571	3,324,990	219,259	3,550,820	384,056
Total liabilities	656,278	3,727,705	592,464	4,976,447	1,365,208
Net Assets					
Invested in capital assets, net of related debt	725,276	1,181,601	1,640,647	3,547,524	729,261
Unrestricted (deficit)	74,101	(712,632)	406,037	(232,494)	450,369
Total net assets	\$ 799,377	\$ 468,969	\$ 2,046,684	\$ 3,315,030	\$ 1,179,630

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Funds to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2005

Net assets - enterprise funds	\$ 3,315,030
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Amounts reported for business-type activities in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. The portion of the net assets of the internal service fund attributable to these charges are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in the internal service fund	<u>60,089</u>
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Net assets of business-type activities	<u><u>\$ 3,375,119</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities Vehicle and Equipment Internal Service Fund
	Parks	Sewer	Water	Total	
Operating revenues					
Charges for services	\$ 162,984	\$ 473,588	\$ 273,959	\$ 910,531	\$ 254,200
Special assessments	-	-	14,568	14,568	-
Rent	7,075	-	47,500	54,575	-
Other	3,958	-	-	3,958	3,781
Total operating revenues	174,017	473,588	336,027	983,632	257,981
Operating expenses					
Operations	192,416	443,662	287,722	923,800	134,249
Depreciation	62,606	43,190	72,998	178,794	127,830
Total operating expenses	255,022	486,852	360,720	1,102,594	262,079
Operating income (loss)	(81,005)	(13,264)	(24,693)	(118,962)	(4,098)
Non-operating revenues (expenses)					
Investment income	(5)	778	2,847	3,620	3,597
Loss on disposal of capital assets	-	-	-	-	(34,985)
Interest expense	-	(108,367)	(32,245)	(140,612)	(9,182)
Total non-operating revenues (expenses)	(5)	(107,589)	(29,398)	(136,992)	(40,570)
Change in net assets	(81,010)	(120,853)	(54,091)	(255,954)	(44,668)
Net assets, beginning of year	880,387	589,822	2,100,775	3,570,984	1,224,298
Net assets, end of year	\$ 799,377	\$ 468,969	\$ 2,046,684	\$ 3,315,030	\$ 1,179,630

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Reconciliation of the Statement of Revenues, Expenses
and Changes in Fund Net Assets of Proprietary Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in net assets - total enterprise funds	\$ (255,954)
---------------------------------------------------	--------------

Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. The net revenue (expense) attributable to those funds is reported with business-type activities.

Add: net operating loss from business-type activities in the internal service fund	<u>(693)</u>
------------------------------------------------------------------------------------	--------------

Change in net assets of business-type activities	<u><u>\$ (256,647)</u></u>
--------------------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities Vehicle and Equipment Internal Service Fund
	Parks	Sewer	Water	Total	
Cash flows from operating activities					
Cash received from customers and others	\$ 172,942	\$ 468,102	\$ 321,108	\$ 962,152	\$ 3,781
Cash received from interfund services	-	-	-	-	254,200
Cash payments to employees	(77,349)	(62,724)	(116,102)	(256,175)	(32,348)
Cash payments to suppliers for goods and services	(82,772)	(329,765)	(124,196)	(536,733)	(374,435)
Cash payments for interfund services	(23,000)	-	(20,000)	(43,000)	-
Net cash provided (used) by operating activities	(10,179)	75,613	60,810	126,244	(148,802)
Cash flows from investing activities					
Investment income	(5)	778	2,847	3,620	3,597
Cash flows from capital and related financing activities					
Purchase of capital assets	(87,430)	-	-	(87,430)	(820,158)
Proceeds from sale of capital assets	-	-	-	-	42,402
Bond/note principal payments	-	-	(95,000)	(95,000)	(51,857)
Bond/note interest payments	-	(103,149)	(21,251)	(124,400)	(9,182)
Proceeds from debt issuance	-	-	-	-	500,000
Net cash provided (used) by capital and related financing activities	(87,430)	(103,149)	(116,251)	(306,830)	(338,795)
Net increase (decrease) in cash and cash equivalents	(97,614)	(26,758)	(52,594)	(176,966)	(484,000)
Cash and cash equivalents, beginning of year	260,748	63,165	163,298	487,211	443,385
Cash and cash equivalents, end of year	\$ 163,134	\$ 36,407	\$ 110,704	\$ 310,245	\$ (40,615)

Continued...

CITY OF BRIDGMAN, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Vehicle and Equipment Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (81,005)	\$ (13,264)	\$ (24,693)	\$ (118,962)	\$ (4,098)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	62,606	43,190	72,998	178,794	127,830
Changes in assets and liabilities:					
Accounts receivable - customers	-	(7,421)	(3,718)	(11,139)	-
Special assessments receivable	-	-	(13,111)	(13,111)	-
Due from other funds	(21,802)	(101,926)	(84,843)	(208,571)	(303,703)
Inventories	-	-	3,350	3,350	-
Prepaid items	993	965	2,492	4,450	737
Investment in Galien River Sanitary District	-	(29,532)	-	(29,532)	-
Accounts payable	7,035	(2,405)	(9,365)	(4,735)	(4,433)
Accrued liabilities	798	(31,569)	1,926	(28,845)	126
Due to other funds	23,100	215,640	112,405	351,145	34,739
Deposits payable	(1,075)	1,935	1,910	2,770	-
Accrued compensated absences	(829)	-	1,459	630	-
Net cash provided (used) by operating activities	\$ (10,179)	\$ 75,613	\$ 60,810	\$ 126,244	\$ (148,802)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BRIDGMAN, MICHIGAN

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Notes to the Financial Statements

For the Year Ended June 30, 2005

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CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bridgman, Michigan is a municipal corporation governed by a seven-member commission and by an appointed City Superintendent. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended component unit:

The Building Authority is governed by a three-member board appointed by the City Commission. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government.

Discretely presented component unit:

The City's Brownfield Authority was created to revitalize selected environmentally distressed areas within the City limits. The Authority had no assets as of June 30, 2005, and no activity for the period then ended.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Intergovernmental revenues are accrued when earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *public improvement fund* accounts for City-wide improvement projects.

The City reports the following non-major governmental funds:

The *major streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for major street and highway purposes.

The *local streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for local street and highway purposes.

The *general debt-service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *building authority fund* accounts for the debt service on bonds issued to finance the construction of City buildings, and the rental income collected from City departments to service that debt.

The City reports the following major proprietary funds:

The *parks fund* accounts for the operation and maintenance of the City's parks and recreational facilities.

The *sewer fund* accounts for the City's participation in the Galien River Sanitary District.

The *water fund* accounts for the activities of the City's water distribution and treatment system.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for fleet and equipment management to other departments on a cost reimbursement basis.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

The City's investments during the year consisted solely of bank investment pools. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pooled shares.

2. *Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items constructed or acquired after 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Public domain infrastructure	50
System infrastructure	50
Vehicles	3-20
Equipment	5-10

5. *Compensated absences*

It is the City's policy to not permit employees to accumulate unused vacation from year to year. Any vacation that is not used within the year following the year within which it was earned is considered lapsed. Non-lapsed vacation time and 1/3 of sick leave accumulated prior to June 30, 1999 are accrued in the government-wide and proprietary fund financial statements. The City does not permit accrual of sick leave earned after June 30, 1999. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, net assets reported as “restricted” are subject to externally imposed restrictions by laws and regulations or grantors.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Monday in May of each year, the City Superintendent must present the proposed budget to the City Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than the third Monday in June.

The appropriated budget is prepared by fund and department. The City Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year which were not considered material.

B. Excess of expenditures over appropriations

For the year ended June 30, 2005, expenditures exceeded appropriations in the following General Fund Departments: City Commission \$10,714, Superintendent \$11,560, Elections \$576, and Zoning Administrator \$845.

The Public Improvement Special Revenue Fund exceeded appropriations by \$125,351 in the Other Public Improvement Department

The Major Streets Special Revenue Fund exceeded appropriations by \$3,949 in the Winter Services Department.

The Local Streets Special Revenue Fund exceeded appropriations by \$3,756 in the Winter Services Department.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 2,205,485
Investments in mutual and cash management funds	149,786
Cash on hand	<u>400</u>
Statement of Net Assets	<u>\$ 2,355,671</u>

The City chooses to disclose its investments by specifically identifying each. As of year end, the City had the following deposits and investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Mutual and cash management funds (uncategorized as to risk)	<u>\$ 149,786</u>	AAAm (S&P)

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings have been identified above for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end,

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

\$2,242,810 of the City's bank balance of \$2,442,810 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Due from customers	\$ -	\$ 130,611
Special assessments	80,433	13,111
Due from other governments	<u>123,474</u>	<u>-</u>
	<u>\$ 203,907</u>	<u>\$ 143,722</u>

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Deferred Revenue</u>
Special assessments:	
General fund	\$ 12,341
Public improvement	<u>68,092</u>
	<u>\$ 80,433</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2005, was as follows:

Primary Government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 134,600	\$ -	\$ -	\$ 134,600
Capital assets, being depreciated:				
Buildings and improvements	1,630,400	-	-	1,630,400
Equipment	1,848,689	820,158	(210,720)	2,458,127
Infrastructure	12,664,372	-	-	12,664,372
Total capital assets being depreciated	16,143,461	820,158	(210,720)	16,752,899
Less accumulated depreciation for:				
Buildings and improvements	(811,488)	(37,513)	-	(849,001)
Equipment	(1,239,025)	(130,843)	133,333	(1,236,535)
Infrastructure	(7,996,613)	(253,534)	-	(8,250,147)
Total accumulated depreciation	(10,047,126)	(421,890)	133,333	(10,335,683)
Total capital assets being depreciated, net	6,096,335	398,268	(77,387)	6,417,216
Governmental activities capital assets, net	<u><u>\$ 6,230,935</u></u>	<u><u>\$ 398,268</u></u>	<u><u>\$ (77,387)</u></u>	<u><u>\$ 6,551,816</u></u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 59,293	\$ -	\$ -	\$ 59,293
Capital assets, being depreciated:				
Buildings, improvements, and systems	6,994,488	87,430	-	7,081,918
Equipment	391,338	-	-	391,338
Total capital assets being depreciated	7,385,826	87,430	-	7,473,256
Less accumulated depreciation for:				
Buildings, improvements, and systems	(3,107,760)	(173,676)	-	(3,281,436)
Equipment	(383,470)	(5,119)	-	(388,589)
Total accumulated depreciation	(3,491,230)	(178,795)	-	(3,670,025)
Total capital assets being depreciated, net	3,894,596	(91,365)	-	3,803,231
Business-type activities capital assets, net	<u><u>\$ 3,953,889</u></u>	<u><u>\$ (91,365)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,862,524</u></u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 36,550
Public safety	938
Public works	3,040
Other governmental activities	253,532
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>127,830</u>

Total depreciation expense – governmental activities **\$ 421,890**

Business-type activities:

Parks	\$ 62,606
Sewer	43,190
Water	<u>72,998</u>

Total depreciation expense – business-type activities **\$ 178,794**

D. Accounts payable and accrued liabilities

Payables are comprised of the following:

	Governmental Activities	Business- Type Activities
Accounts payable	\$ 25,960	\$ 44,489
Deposits payable	-	4,185
Accrued liabilities	<u>33,632</u>	<u>42,053</u>
	<u>\$ 59,592</u>	<u>\$ 90,727</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

E. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2005, is as follows:

	Due From							Total
	General Fund	Public Improvement	Non-major Governmental Funds	Parks	Sewer	Water	Internal Service	
Due To:								
General Fund	\$ -	\$ 157,028	\$ 463,332	\$ 455,508	\$ 308,947	\$ 107,303	\$ 646,389	\$ 2,138,507
Public Improvement	136,896	-	37,264	59,953	-	-	-	234,113
Non-major Governmental Funds	678,949	19,722	60,372	-	-	-	67,000	826,043
Parks	298,748	-	128,838	-	38,194	26,896	74,569	567,245
Sewer	145,489	-	2,094	-	-	14,209	97,874	259,666
Water	469,153	-	1,675	-	-	-	-	470,828
Internal Service	852,863	-	310,100	115,000	-	104,000	-	1,381,963
Total	\$ 2,582,098	\$ 176,750	\$ 1,003,675	\$ 630,461	\$ 347,141	\$ 252,408	\$ 885,832	\$ 5,878,365

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In addition, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the Internal Service Fund.

For the year ended June 30, 2005, interfund transfers consisted of the following:

<u>Transfers In</u>			
<u>Transfer Out</u>	Public	Local	<u>Total</u>
	Improvement	Street	
	<u>Fund</u>	<u>Fund</u>	
General Fund	<u>\$300,000</u>	<u>\$ 5,000</u>	<u>\$305,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

F. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$4,024,990. No general obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as 10-26 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Due</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities: 1997 building authority	2007	\$10,000 - \$175,000	4.2-4.75%	<u>\$ 335,000</u>
Business-type activities: 2003 GRSD Authority General Obligation Limited Tax Bonds	2029	\$94,530 - \$219,885	2.00-4.70%	<u>\$ 3,324,990</u>

Installment Purchase Contracts

The City enters into installment purchase agreements to finance the acquisition of certain equipment. The original amount of the agreements entered into in prior years for the contracts listed below was \$706,483. Installment purchase contracts outstanding at year end are as follows:

<u>Purpose</u>	<u>Due</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Government activities: 1996 Equipment Purchase	2006	\$10,500	5.0%	\$ 10,500
2002 Copier	2005	\$3,596	6.0%	1,746
2005 Equipment Purchase	2010	\$91,915	3.3%	<u>461,983</u>
				<u>\$ 474,229</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the three bonds listed below was \$1,185,000. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Due</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:				
1993 Water Supply System	2008	\$10,000-\$45,000	4.50-6.00%	\$ 70,000
1996 Water Supply System	2008	\$65,000-\$90,000	3.85-5.10%	<u>245,000</u>
				<u>\$ 315,000</u>

Debt service requirements to maturity for all installment debt of the City are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 250,173	\$ 26,630	\$ 276,803	\$ 100,000	\$ 151,942	\$ 251,682
2007	255,522	15,550	271,072	199,530	145,987	251,942
2008	83,203	8,712	91,915	206,585	138,193	345,517
2009	85,974	5,942	91,916	100,695	129,155	344,778
2010	88,836	3,079	91,915	102,750	125,977	229,850
2011-2015	45,521	437	45,958	575,400	571,610	1,146,849
2016-2020	-	-	-	686,370	452,398	1,140,422
2021-2025	-	-	-	842,550	292,103	1,136,080
2026-2029	-	-	-	826,110	79,707	1,131,624
	<u>\$ 809,229</u>	<u>\$ 60,350</u>	<u>\$ 869,579</u>	<u>\$ 3,639,990</u>	<u>\$ 2,087,072</u>	<u>\$ 5,978,744</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

Changes in Long-term Liabilities

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 485,000	\$ -	\$ (150,000)	\$ 335,000	\$ 160,000
Special Assessment with City commitment	25,000	-	(25,000)	-	-
Installment Purchase Contracts	26,086	500,000	(51,857)	474,229	90,173
Compensated Absences	34,107	22,151	(36,686)	23,572	12,335
Government activity long-term liabilities	<u>\$ 570,193</u>	<u>\$ 522,151</u>	<u>\$ (263,543)</u>	<u>\$ 832,801</u>	<u>\$ 262,508</u>
Business-type activities:					
Revenue Bonds	\$ 410,000	\$ -	\$ (95,000)	\$ 315,000	\$ 100,000
General Obligation Limited Tax Bonds	3,324,990	-	-	3,324,990	-
Compensated Absences	15,090	8,426	(7,796)	15,720	4,890
Business-type activity long-term liabilities	<u>\$ 3,750,080</u>	<u>\$ 8,426</u>	<u>\$ (102,796)</u>	<u>\$3,655,710</u>	<u>\$ 104,890</u>

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

G. Segment information--enterprise funds

The government issued revenue bonds to finance certain improvements to its water and sewer systems. Because the Parks Fund, Water Fund and the Sewer Fund are each reported as major funds in the fund financial statements and account entirely for a specific segment, disclosures are not required herein.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the City carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Property taxes

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Berrien County.

Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2004 levy were assessed and equalized at \$92,534,356 (not including properties subject to Industrial Facilities Tax exemption), representing 42.2% of estimated current market value. The City's general operating tax rate for fiscal year 2004-05 was 15.0016 mills.

C. Defined contribution pension plan

In 1996, the City began providing pension benefits to all of its full-time employees through the City of Bridgman Defined Contribution Pension Plan. Plan provisions and contribution requirements are established by, and may be amended by, the City Commission. The Commission has contracted with a third-party administrator to perform the daily administration of the Plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 1,000 hours of service. As established by the City Commission, the City contributes 3.0 percent of employees' gross earnings. The City also contributes an additional amount ranging from 0 to 4 percent of an employee's gross earnings based on longevity. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately. There are no employee contributions.

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

The City's total payroll during the current year was \$734,358. The current year contribution was calculated based on covered payroll of \$565,862 resulting in an employer contribution of \$33,517.

D. Construction code fees

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since July 1, 2004 is as follows:

Building permit revenue	\$ 12,435
Related expenses:	
Building inspector	<u>(18,641)</u>
Shortfall	<u>\$ (6,206)</u>

E. Investment in the Galien River Sanitary District

The Galien River Sanitary District Sewer Authority (the "Authority") is a legally separate entity, created through a joint venture by area governments in Berrien County, Michigan. The City of Bridgman became a constituent member (owner) of the Authority in 2004.

Participating municipalities and their respective shares of ownership are as follows:

	<u>Percent Of Ownership</u>
Chikaming Township	28.6%
New Buffalo City	21.6%
New Buffalo Township	16.6%
Lake Charter Township	16.6%
Bridgman City	<u>16.6%</u>
	<u>100.0%</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to the Financial Statements

The City of Bridgman is accounting for its investment in the Authority as a joint venture in accordance with GASB Statement 14. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2004, audited by other auditors, whose report dated May 18, 2005, expressed an unqualified opinion on those statements.

Summary information of the city of Bridgman's investment in the Authority for the year ended June 30, 2005, is as follows:

	<u>Total GRSD Authority</u>	<u>City of Bridgman 16.6%</u>
Total assets	\$ 15,849,998	\$ 2,631,100
Total liabilities	<u>709,825</u>	<u>117,831</u>
Net assets	<u>\$15,140,173</u>	<u>\$ 2,513,269</u>
Operating revenues	\$ 1,288,434	\$ 213,880
Operating expenses	<u>1,275,128</u>	<u>211,671</u>
Operating income	13,306	2,209
Non-operating income	<u>164,598</u>	<u>27,323</u>
Change in net assets	177,904	29,532
Net assets, beginning of year	<u>14,962,269</u>	<u>2,483,737</u>
Net assets, end of year	<u>\$15,140,173</u>	<u>\$ 2,513,269</u>

Complete financial statements for the Galien River Sanitary District Sewer Authority may be obtained at the Authority's administrative office.

Galien River Sanitary District Sewer Authority
10831 Kruger Road
New Buffalo MI 49117

F. Commitments

The City is obligated for construction contracts relating to various streets projects in the amount of \$80,000. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements.

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SUPPLEMENTARY INFORMATION

CITY OF BRIDGMAN, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Major Streets	Local Streets	General Debt Service	Building Authority	Total Governmental Funds
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 219,293	\$ 28,757	\$ 238,028	\$ 5,113	\$ 491,191
Due from other governments	31,580	10,410	-	-	41,990
Due from other funds	218,687	127,904	78,330	401,122	826,043
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	\$ 469,560	\$ 167,071	\$ 316,358	\$ 406,235	\$ 1,359,224
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 179	\$ -	\$ -	\$ -	\$ 179
Accrued liabilities	769	433	-	-	1,202
Due to other funds	320,214	162,557	236,849	284,055	1,003,675
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	321,162	162,990	236,849	284,055	1,005,056
Fund balances:					
Unreserved, undesignated	148,398	4,081	79,509	122,180	354,168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 469,560	\$ 167,071	\$ 316,358	\$ 406,235	\$ 1,359,224
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF BRIDGMAN, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Major Streets	Local Streets	General Debt Service	Building Authority	Total Governmental Funds
Revenues					
Special assessments	\$ -	\$ -	\$ 17,696	\$ -	\$ 17,696
Intergovernmental	136,287	45,314	-	-	181,601
Investment earnings	3,145	1,222	6,454	485	11,306
Rent	-	-	-	132,600	132,600
Total revenues	139,432	46,536	24,150	133,085	343,203
Expenditures					
Current:					
Highways and streets	85,358	69,455	-	-	154,813
Debt service:					
Principal	-	-	60,000	115,000	175,000
Interest and fiscal charges	-	-	1,991	18,669	20,660
Total expenditures	85,358	69,455	61,991	133,669	350,473
Revenues over (under) expenditures	54,074	(22,919)	(37,841)	(584)	(7,270)
Other financing sources (uses)					
Transfers in	-	5,000	-	-	5,000
Net change in fund balances	54,074	(17,919)	(37,841)	(584)	(2,270)
Fund balances, beginning of year	94,324	22,000	117,350	122,764	356,438
Fund balances, end of year	\$ 148,398	\$ 4,081	\$ 79,509	\$ 122,180	\$ 354,168

CITY OF BRIDGMAN, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Major Streets
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 103,400	\$ 103,400	\$ 136,287	\$ 32,887
Investment earnings	800	800	3,145	2,345
Total revenues	104,200	104,200	139,432	35,232
Expenditures				
Highways and streets:				
Routine maintenance	21,600	48,100	45,910	(2,190)
Traffic services	6,900	6,700	6,299	(401)
Winter services	23,700	29,200	33,149	3,949
Total expenditures	52,200	84,000	85,358	1,358
Net change in fund balance	52,000	20,200	54,074	33,874
Fund balance, beginning of year	94,324	94,324	94,324	-
Fund balance, end of year	\$ 146,324	\$ 114,524	\$ 148,398	\$ 33,874

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Streets
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 37,000	\$ 37,000	\$ 45,314	\$ 8,314
Investment earnings	300	300	1,222	922
Total revenues	37,300	37,300	46,536	9,236
Expenditures				
Highways and streets:				
Routine maintenance	22,500	47,800	41,647	(6,153)
Traffic services	100	3,100	2,952	(148)
Winter services	17,900	21,100	24,856	3,756
Total expenditures	40,500	72,000	69,455	(2,545)
Revenues (under) expenditures	(3,200)	(34,700)	(22,919)	11,781
Other financing sources				
Transfers in	-	35,000	5,000	(30,000)
Net change in fund balance	(3,200)	300	(17,919)	(18,219)
Fund balance, beginning of year	22,000	22,000	22,000	-
Fund balance, end of year	\$ 18,800	\$ 22,300	\$ 4,081	\$ (18,219)

The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION

Table 1

CITY OF BRIDGMAN, MICHIGAN
General Governmental Revenues - Unaudited (1)
Last Ten Fiscal Years Ended June 30

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Property Taxes	\$ 1,414,401	\$ 1,415,100	\$ 1,372,011	\$ 1,329,086	\$ 1,278,877	\$ 1,265,619	\$ 1,206,717	\$ 1,112,781	\$ 1,021,185	\$ 947,880
Special Assessments (1)	42,627	83,834	73,750	103,602	97,821	164,590	136,925	198,496	188,761	192,466
Intergovernmental	413,287	465,085	419,101	267,777	281,597	252,342	251,827	205,166	268,388	225,146
Charges for Services	7,149	3,590	4,176	3,085	18,108	-	-	-	-	-
Rents(1)	132,600	127,309	125,080	51,000	51,000	51,000	58,104	19,800	19,800	19,800
Investment Earnings (1)	56,608	15,221	19,657	68,300	107,951	120,201	119,948	130,284	127,004	139,346
Licenses and Permits	32,997	40,055	37,655	35,694	32,232	44,067	29,945	31,378	41,715	47,414
Fines and forfeitures	9,411	7,538	6,674	7,988	6,429	13,826	8,243	7,847	7,068	4,815
Other	2,636	4,787	9,713	3,177	31,301	18,928	7,096	13,729	4,743	8,849
Total Revenues	\$ 2,111,716	\$ 2,162,519	\$ 2,067,817	\$ 1,869,709	\$ 1,905,316	\$ 1,930,573	\$ 1,818,805	\$ 1,719,481	\$ 1,678,664	\$ 1,585,716

General Governmental Expenditures By Function-Unaudited(1)
Last Ten Fiscal Years Ended June 30

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General government	\$ 353,429	\$ 335,222	\$ 329,289	\$ 315,712	\$ 292,888	\$ 281,309	\$ 335,627	\$ 348,776	\$ 268,647	\$ 213,478
Public safety	412,074	465,428	437,047	420,153	396,703	399,638	362,378	341,247	322,788	333,973
Public works	189,031	202,315	171,973	194,506	158,742	153,665	295,799	230,760	180,104	161,883
Parks & Recreation (2)	-	-	-	-	-	-	-	4,001	3,915	1,590
Debt service (3)	195,660	245,938	257,218	346,690	305,346	354,293	410,049	396,199	357,444	344,508
General Administration (4)	931,135	607,453	587,532	669,244	318,481	314,654	80,677	72,829	70,793	73,025
Total Expenditures	\$ 2,081,329	\$ 1,856,356	\$ 1,783,059	\$ 1,946,305	\$ 1,472,160	\$ 1,503,559	\$ 1,484,530	\$ 1,393,812	\$ 1,203,691	\$ 1,128,457

(1) Includes general fund, debt service, public improvements and building authority.

(2) In FY 1999, the department of Parks and Recreation, formerly included in the General Fund, was transferred to the Parks Enterprise Fund.

(3) Includes principal and interest.

(4) In FY 2000, General Administration was reorganized to include all non-departmental expenses that had previously been expended in other cost centers. Some examples of these changes are street lighting, general liability insurance, attorneys fees, audit fees and sanitation expenses.

Table 2

CITY OF BRIDGMAN, MICHIGAN
Property Taxes Levied and Collected - Unaudited
Last Ten Fiscal Years

(1) Fiscal Year Ended June 30,	(2) Total Tax Levy	(3) Current Tax Collections	Percent of Current Taxes Collected
2005	\$ 1,414,401	\$ 1,414,401	100.0%
2004	1,415,100	1,338,578	100.0%
2003	1,372,011	1,372,011	100.0%
2002	1,329,086	1,329,086	100.0%
2001	1,278,877	1,278,877	100.0%
2000	1,265,619	1,265,619	100.0%
1999	1,206,717	1,206,717	100.0%
1998	1,112,781	1,112,781	100.0%
1997	1,021,185	1,021,185	100.0%
1996	947,880	947,880	100.0%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes roll over onto the winter tax bill with a 4% penalty. Therefore, taxes are not considered delinquent until March 1 of the following year. At that time, delinquent real property taxes are purchased by the Berrien County Delinquent Tax Revolving Fund. Uncollected personal property taxes are collected by the Berrien County Treasurer.

(2) Includes Industrial Facility Tax.

(3) Includes settlement from Berrien County Delinquent Tax Revolving.

Table 3

CITY OF BRIDGMAN, MICHIGAN
Assessed and Estimated Actual Value of Property - Unaudited (1)
Last Ten Fiscal Years

As of December 31, (2)	Real Property		Personal Property		Total		Ratio of Assessed to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
2004	\$ 93,631,604	\$ 248,201,200	\$ 5,641,977	\$ 11,051,600	\$ 99,273,581	\$ 259,252,800	38.29%
2003	86,209,896	211,491,400	8,795,800	17,691,000	95,005,696	229,182,400	41.45%
2002	85,822,896	209,092,600	8,480,700	15,097,200	94,303,596	224,189,800	42.06%
2001	81,678,019	196,271,400	7,554,900	15,109,800	89,232,919	211,381,200	42.21%
2000	76,726,443	191,783,400	9,220,500	18,441,000	85,946,943	210,224,400	40.88%
1999	71,155,607	78,291,100	9,077,600	9,077,600	80,233,207	87,368,700	91.83%
1998	69,168,428	77,317,100	9,411,400	9,411,400	78,579,828	86,728,500	90.60%
1997	64,180,802	71,673,300	8,647,015	8,647,015	72,827,817	80,320,315	90.67%
1996	58,383,267	61,253,600	8,361,100	8,361,100	66,744,367	69,614,700	95.88%
1995	54,373,285	54,602,900	7,816,200	7,816,200	62,189,485	62,419,100	99.63%

(1) Includes Industrial Facilities Tax in total.

(2) Property taxes are levied July 1 of the succeeding fiscal year based on assessed values (taxable values beginning in 1994) as of December 31.

Table 4

CITY OF BRIDGMAN, MICHIGAN
Property Tax Rates - Unaudited
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City Operating Millage	City Library Operating	(1) Bridgman Public Schools	(1) State Education Tax	Berrien			Totals		
					Intermediate		Lake Michigan College	County	Homestead	Non- Homestead
					School	District				
2005	14.9270	1.7376	8.8760	6.0000	2.3998		1.8174	5.6677	33.0495	41.4255
2004	15.0156	1.7480	9.3760	5.0000 (2)	2.4042		1.8209	5.6769	32.6656	41.0416
2003	15.1229	1.7509	8.3760	6.0000	2.4326		1.8481	5.7410	32.8955	41.2715
2002	15.1624	1.7555	8.3719	6.0000	2.4377		1.8492	5.7466	32.9514	41.3233
2001	15.2020	1.7601	8.3760	6.0000	2.4475		1.8560	5.7705	33.0361	41.4121
2000	15.2020	1.7601	8.3760	6.0000	2.4475		1.8560	5.7705	33.0361	41.4121
1999	15.2020	1.7601	8.3760	6.0000	2.4475		1.8560	5.7705	33.0361	41.4121
1998	15.2020	0.7601	8.3760	6.0000	2.4475		1.8560	5.7705	32.0361	40.4121
1997	15.2020	0.7601	8.3760	6.0000	2.4470		1.8560	5.6236	31.8887	40.2647
1996	15.2020	0.7601	8.3760	6.0000	2.4468		1.8560	5.6249	31.8898	40.2658

(1) Passage of Proposal A in 1994 decreased operating millage on homestead properties for Bridgman Public Schools to 6 mills.
Non-homestead properties are subject both to the 6 mills (State Education Tax) and the voted levy.

(2) In 2003, the State Education Tax was lowered to 5 mills and was charged to taxpayers on their summer tax bills. The voted levy for Bridgman Public Schools was 9.376 mills.

Table 5

CITY OF BRIDGMAN, MICHIGAN
Revenue Bond Coverage - Unaudited
Water Revenue Bonds
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service Requirement	Coverage
2005	\$ 336,027	\$ 360,720	\$ (24,693)	\$ 116,165	(0.21)
2004	344,711	351,222	(6,511)	120,795	(0.05)
2003	373,105	248,471	124,634	114,805	1.09
2002	319,650	240,938	78,712	112,880	0.70
2001	347,699	295,075	52,624	118,040	0.45
2000	369,281	196,341	172,940	115,525	1.50
1999	361,771	150,238	211,533	115,320	1.83
1998	339,212	128,860	210,352	114,680	1.83
1997	317,021	123,370	193,651	62,665	3.09
1996	320,445	119,513	200,932	125,325	1.60

CITY OF BRIDGMAN, MICHIGAN
Revenue Bond Coverage - Unaudited
Sewer Revenue Bond
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service Requirement	Coverage
2005	\$ 473,588	\$ 443,662	\$ 29,926	\$ 135,517	0.22
2004	448,503	294,483	154,020	84,157	1.83
2003	315,099	263,432	51,667	28,060	1.84
2002	294,587	250,951	43,636	29,560	1.48
2001	342,949	361,773	(18,824)	26,460	(0.71)
2000	315,194	318,143	(2,949)	27,850	(0.11)
1999	328,670	340,619	(11,949)	29,225	(0.41)
1998	323,848	345,686	(21,838)	25,420	(0.86)
1997	310,425	341,371	(30,946)	26,436	(1.17)
1996	314,183	285,137	29,046	27,445	1.06

(1) Includes investment income.

(2) Excludes depreciation expense.

Table 6

CITY OF BRIDGMAN, MICHIGAN
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Population	(2) Taxable Value	(3) Gross Bonded Debt	(4) Less Debt Service Fund Amounts	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
2005	2,428	\$99,273,581	\$ 335,000	\$ 201,689	\$ 133,311	0.13%	55
2004	2,428	\$95,005,696	485,000	240,114	244,886	0.26%	101
2003	2,428	94,303,596	625,000	273,245	351,755	0.37%	145
2002	2,428	89,232,919	755,000	278,786	476,214	0.53%	196
2001	2,428	85,946,943	910,000	287,126	622,874	0.72%	257
2000	2,428	80,233,207	1,020,000	121,864	898,136	1.12%	370
1999	2,140	78,579,828	1,140,000	120,289	1,019,711	1.30%	477
1998	2,140	72,827,817	1,260,000	107,939	1,152,061	1.58%	538
1997	2,140	66,744,367	665,000	1,156	663,844	0.99%	310
1996	2,140	62,189,485	740,000	19,305	720,695	1.16%	337
1995	2,140	59,508,300	550,000	19,768	530,232	0.89%	248

(1) U.S. Census

(2) From Table 3.

(3) Amounts do not include revenue or special assessment bonds

(4) Represents amounts available for repayment of general obligation bonds.

Table 7

CITY OF BRIDGMAN, MICHIGAN
Computation of Legal Debt Margin - Unaudited

<hr/> <hr/>		
Taxable Value (1)		<u>\$ 99,273,581</u>
Legal debt limit (10% of Taxable Value) (2)		\$ 9,927,358
Debt applicable to limitation:		
Gross bonded debt of City	\$ 3,974,990	
Less: Revenue bonds	(315,000)	
Special Assessment Bonds	-	
Amounts available for repayment of general obligation bonds	<u>201,689</u>	
		<u>3,861,679</u>
LEGAL DEBT MARGIN		<u>\$ 6,065,679</u>

(1) Includes properties subject to Industrial Facility Tax (from Table 3).

(2) Article VII, Paragraph II of the Constitution of the State of Michigan of 1963, as amended.

Table 8

CITY OF BRIDGMAN, MICHIGAN
Computation of Direct and Overlapping Bonded Debt - Unaudited

	(1) Net Debt Outstanding	Percentage Applicable to City of Bridgman	Amount Applicable to City of Bridgman
Direct:			
City issued bonded debt	\$ 3,659,990	100.00%	\$ 3,659,990
Overlapping:			
Berrien County	8,925,919	1.91%	170,485
Lake Michigan Community College	7,600,000	1.78%	135,280
Berrien County Intermediate School District	50,000	1.84%	920
			<u>306,685</u>
 TOTAL			 <u><u>\$ 3,966,675</u></u>

(1) Excludes self-supporting debt.

SOURCE: Municipal Advisory Council of Michigan

Table 9

CITY OF BRIDGMAN, MICHIGAN
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total
General Governmental Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Annual Debt Service	Total General Governmental Expenditures (1)	Ratio
2005	\$ 194,960	\$ 2,081,329	9.4%
2004	245,938	1,856,356	13.2%
2003	257,218	1,783,059	14.4%
2002	346,690	1,946,305	17.8%
2001	305,346	1,472,160	20.7%
2000	354,293	1,503,559	23.6%
1999	410,049	1,484,530	27.6%
1998	396,199	1,393,812	28.4%
1997	357,444	1,203,691	29.7%
1996	344,508	1,128,457	30.5%

(1) Includes general, public improvement, general debt service and building authority funds

Table 10

CITY OF BRIDGMAN, MICHIGAN
Construction Data and Property Value - Unaudited
Last Ten Calendar Years

Year Ended December 31,	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
2004	1	197,500	13	\$ 2,275,845
2003	-	-	11	1,476,419
2002	-	-	11	1,780,440
2001	-	-	13	2,033,061
2000	-	-	8	1,211,100
1999	-	-	17	2,191,469
1998	1	\$ 165,140	20	2,949,300
1997	4	136,800	13	1,838,762
1996	-	-	40	6,681,969
1995	-	-	18	2,323,186

Equalized Property Values

Year	Commercial	Personal	Residential	Industrial	Agricultural	Industrial Facilities Exemption	Total
2004	\$ 12,568,300	\$ 5,525,800	\$ 96,214,500	\$ 7,085,600	\$ 8,232,200	\$ 3,565,315	\$ 133,191,715
2003	11,118,800	4,211,500	91,844,405	7,632,700	8,232,200	2,611,600	125,651,205
2002	11,043,100	7,817,200	79,540,600	7,632,700	6,111,000	1,744,500	113,889,100
2001	10,548,900	7,554,900	74,604,300	6,871,500	6,111,000	1,328,705	107,019,305
2000	10,548,900	7,554,900	74,604,300	3,674,476	6,111,000	3,197,024	105,690,600
1999	10,197,200	8,599,000	71,211,800	6,626,500	4,759,000	3,718,700	105,112,200
1998	9,613,800	9,084,000	65,509,600	6,263,800	4,759,000	2,920,400	98,150,600
1997	9,292,800	9,013,600	61,239,700	5,794,800	2,192,800	2,980,300	90,514,000
1996	9,109,900	9,114,800	60,409,400	5,484,900	2,192,800	3,529,100	89,840,900
1995	8,746,700	8,582,215	56,385,500	4,538,700	2,516,600	2,146,900	82,916,615

Table 11

CITY OF BRIDGMAN, MICHIGAN
Principal Taxpayers - Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Taxable Valuation (1)</u>	<u>Percentage of Total Taxable Valuation</u>
Weldun International	Manufacturing	\$ 2,812,600	2.96%
American Electric Power	Utility	2,807,400	2.95%
ICG - Berrien, Inc.	Manufacturing	2,477,615	2.61%
Great Lakes Stamping	Manufacturing	2,253,812	2.37%
Michigan DNR	Government	1,639,830	1.73%
Jordan's Nursing Home	Housing	1,147,596	1.21%
Robert Bosch	Manufacturing	692,079	0.73%
Sunset Landings	Housing	588,099	0.62%
Bridgman Building Association	Housing	532,072	
Ad-Co	Manufacturing	520,859	0.55%
		<u>\$ 15,471,962</u>	<u>15.73%</u>

(1) Includes ad valorem and Industrials Facilities Tax property.

Table 12

CITY OF BRIDGMAN, MICHIGAN
Miscellaneous Statistics - Unaudited

Date of Incorporation	1949
Form of Government	Commission/Manager
Number of employees (excluding police and fire):	
Full-time	15
Part-time	2
Seasonal	12
Area in square miles	2.9
Election data (as of the November, 2004 general election)	
Number of registered voters	1,634
Number of ballots cast	1,222
Percentage of participating voters	74.8%
City of Bridgman facilities and services:	
Miles of streets:	
Major streets	5.6
Local streets	8.4
Number of street lights	243
Culture and recreation:	
Community centers	2
Beach with campgrounds	1
Number of campsites	70
Beach acreage	40
Parks (including undeveloped land and green space)	2
Park acreage (City-owned)	8
Swimming pools (School-owned)	1
Playgrounds (City-owned)	3
Playgrounds (School-owned)	1
Fire Protection:	
Number of stations	1
Number of fire personnel and officers:	
Full-time	0
Volunteer	18
Number of calls answered	154
Police Protection:	
Number of stations	1

CITY OF BRIDGMAN, MICHIGAN
Miscellaneous Statistics - Unaudited (continued)

Number of police personnel and officers:	
Full-time officers	4
Part-time officers	2
Number of patrol units	3
Number of law violations:	
Physical arrests	118
Traffic violations	465
Uniform Crime Reporting (Part I and II)	260
Wastewater System:	
Miles of sanitary sewers	20
Miles of storm sewers	25
Member of Galien River Sanitary District	
Daily average treatment	294,786 gallons
Maximum daily capacity of treatment plant	500,000 gallons
Water System:	
Miles of water mains	25
Number of service connections:	
Combined water and sewer	891
Water only	182
Sewer only	3
Number of fire hydrants	225
Daily average consumption	320,000 gallons
Maximum daily capacity of water plant	1,400,000 gallons
Water Storage (total capacity of two tanks)	700,000 gallons
Facilities and services not included in the primary government:	
Cable Television System:	
Miles of service	30
Education:	
Enrollment	1,038 students
Number of elementary schools	1
Number of elementary school instructors	25
Number of middle schools	1
Number of middle school instructors	25
Number of secondary schools	1
Number of secondary school instructors	26
Number of counselors	3
Nursing Homes:	
Number of nursing homes	1
Number of patient beds	105

Table 13

CITY OF BRIDGMAN, MICHIGAN
Salaries and Surety Bonds of Principal Officials - Unaudited

Title	Name	Annual Salary	Amount of Surety Bond
Manager	Aaron Anthony	\$ 69,000	\$ 25,000
Assessor	Patricia DePriest	17,200	25,000
Clerk	Pamela Hahaj	29,000	25,000
Public Works Superintendent	Richard Knuth	48,400	25,000
Parks/Water & Sewer Superintendent	Tim Kading	52,000	25,000
Police Chief	Ted Post	47,000	25,000
Treasurer	Laura Brychta	37,700	25,000



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



September 15, 2005

The Honorable Mayor and
Members of the City Commission
The City of Bridgman
Bridgman, Michigan

We have audited the financial statements of **City of Bridgman** for the year ended June 30, 2005, and have issued our report thereon dated September 15, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated August 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Bridgman. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Bridgman are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Bridgman during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Bridgman's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Bridgman, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Bridgman's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Bridgman's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the City of Bridgman management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

City of Bridgman
Comments and Recommendations
For the Year Ended June 30, 2005

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated September 15, 2005 on the financial statements of the City of Bridgman.

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the City's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the City's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

* * * * *